

G-011/M-89-557CLARIFYING EFFECTIVE DATE OF RATE CHANGE AND REQUIRING
REFUNDS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Darrel L. Peterson	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Patrice Vick	Commissioner

In the Matter of Peoples Natural Gas
Company's Request for a Variance to the
Purchased Gas Adjustment for its Large
Volume Customers

ISSUE DATE: December 4, 1989

DOCKET NO. G-011/M-89-557

ORDER CLARIFYING EFFECTIVE DATE
OF RATE CHANGE AND REQUIRING
REFUNDS

PROCEDURAL HISTORY

On July 20, 1989, Peoples Natural Gas Company (Peoples) came before the Commission with a request for a variance from the purchased gas adjustments rules. Peoples sought authority to begin billing its large volume joint rate customers (LVJ's) according to a proposed new rate structure currently the object of a settlement offer in the Northern Natural Gas Company rate case before the Federal Energy Regulatory Commission. All parties expected the proposed settlement to prevail, resulting in increased demand rates to Peoples, retroactive to May 1, 1989. Because the proposed increase would eventually result in a purchased gas adjustment rate increase to Peoples' LVJ's, Peoples sought a variance to allow its increase prior to adoption of the settlement.

On September 13, 1989, the Commission issued an Order granting Peoples' request for a variance. There was no mention in the Order of the method of billing customers to reflect the rate change.

On October 23, 1989, the Commission received a letter from Robert S. Lee, counsel for four large volume joint customers of Peoples. The four customers had all received bills from Peoples which applied the increased rate to gas purchases made before the September 13, 1989 Commission Order. The four LVJ's through their counsel asked the Commission to clarify both the effective date of its previous rate change, and the acceptable method of subsequent billing by Peoples.

The matter came before the Commission on November 21, 1989.

FINDINGS AND CONCLUSIONS

The Commission finds that general practice has been to prorate bills subsequent to either a general rate change or a purchased gas adjustment. Under this method, consumption prior to approval of the change is billed at the old rate, while consumption subsequent to approval is billed at the new rate.

When Peoples went before the Commission with a variance request, no specific billing method was proposed by any party in either written or oral comments or discussions before the Commission. While the Department did not recommend any particular billing system, the Department did emphasize in its comments that Peoples' variance would take effect upon Commission approval. The Department stated in its recommendation which was incorporated into the September 13, 1989 Order: "...Peoples is at risk for any under-recovery of demand costs from LVJ customers from May 1, 1989 until approval of this variance is granted."

The Commission finds that the usual prorating method should be followed in the Peoples billings subsequent to the September 13, 1989 Order. Service extended to customers prior to the Commission's approval of the variance should be billed at the prior prevailing rate, while service extended subsequent to approval should be billed at the new rate. Since some customers have already paid improperly computed bills, Peoples should pay refunds with interest for any overpayments.

ORDER

1. The effective date of the rate change under the variance granted to Peoples by the September 13, 1989, Commission Order is September 13, 1989. Service extended by Peoples to its large volume joint customers prior to September 13, 1989, shall be billed at the prior prevailing rate; service extended to such customers on or subsequent to September 13, 1989, shall be billed at the rate approved in the September 13 Order.

2. Peoples shall refund, for any gas consumption prior to September 13, 1989, with interest at the average monthly prime rate, the difference between the amount actually paid by the LVJ and the amount which should have been paid at the then prevailing rate.

3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Lee Larson
Acting Executive Secretary

(S E A L)